

AUGUSTA, GEORGIA
Annual Financial Statements
For the Year Ended December 31, 2003

AUGUSTA-RICHMOND COUNTY, GEORGIA

Annual Financial Report Year Ended December 31, 2003

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FINANCE DEPARTMENT

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June 1, 2004

The Honorable Mayor Bob Young
Members of the Augusta-Richmond County Commission
Augusta, Georgia 30911

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, is hereby submitted the annual financial report of Augusta, Georgia for the fiscal year ended December 31, 2003.

This report consists of management's representations concerning the finances of Augusta, Georgia. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of Augusta, Georgia has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of Augusta, Georgia financial statement in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Augusta, Georgia comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, I assert that, to the best of my knowledge and belief, this financial report is complete and reliable in all material respects.

Augusta, Georgia financial statements have been audited by Cherry Bekaert & Holland, L.L.P., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of Augusta, Georgia for the fiscal year ended December 31, 2003 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering unqualified opinions that Augusta, Georgia's financial statements for the fiscal year ended December 31, 2003, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of Augusta, Georgia was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditors to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are included in Augusta, Georgia's Single Audit section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Augusta, Georgia MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

Augusta is located in the east central section of the state on the south bank of the Savannah River, which serves as the boundary between Georgia and South Carolina. Augusta is on the fall line and has landscape dotted with foothills which descend to the coastal plain. Augusta is the head of the navigation on the Savannah River and is 135 miles east of Atlanta, 127 miles northwest of the port of Savannah, and 72 miles southwest of Columbia, South Carolina. Augusta is the trade center for 13 counties in Georgia and five in South Carolina, a section known as the Central Savannah River Area.

The Government was created by legislative act in the State of Georgia in 1995 from the unification of the two governments, the City of Augusta, Georgia and Richmond County, Georgia. On June 20, 1995, the citizens of Richmond County and the City of Augusta voted to consolidate into one government named Augusta, Georgia. The officials for the new government were elected and, based on the charter, took office on January 1, 1996. The unified government combined all functions and began financial operations January 1, 1996.

The Government is governed by a full-time Mayor, with a term of four years, and a ten member Commission, who serve on a part-time basis and are elected to staggered terms of four years. The Mayor and Commission appoint an Administrator who serves as a full-time administrative officer and is responsible for the daily operations of the Government.

Augusta provides a full range of services, including public safety and fire protection; the construction and maintenance of highways, streets, and other infrastructure; recreational activities and cultural events. Sanitation services, water and sewer services, transportation services and other administrative and governmental services are also provided by the Consolidated Government. Augusta also is financially accountable for the legally separate Richmond County Department of Health which is reported separately within

Augusta's financial statements. Additional information on this legally separate entity can be found in Note IB. in the notes to the financial statements.

The annual budget serves as the foundation for Augusta's financial planning and control. All agencies of Augusta are required to submit requests for appropriation to the government's administration before the month of July each year. The government's Administrator uses these requests as the starting point for developing a proposed budget. The government's Administrator then presents this proposed budget to the Commission for review prior to October 31. The Commission is required to hold public hearings on the proposed budget and to adopt a final budget by no later than December 31, the close of Augusta's fiscal year. The appropriated budget is prepared by fund, function (e.g. Public Safety), and department (Sheriff Road Patrol). Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the governing commission. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented as part of the basic financial statements for the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report. Also included in the governmental fund subsection are project-length budget-to-actual comparisons for each governmental fund for which a project-length budget has been adopted.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which Augusta operates.

Local economy. Augusta, located in the heart of the Southeast, is Georgia's second largest and second oldest city. The According to the magazine "Where to Retire", Augusta is ranked number four among the nation's low-cost cities for retirement. This is partially based on a variety of factors including cost of living, transportation, higher education, job outlook, health care, the arts, recreation and climate.

Bolstered by nearly half a million residents, the area's economy as a whole is much like that of its health care sector: clean, high tech and well supplied with skilled workers. In addition to a strong sense of history and related attractions, the city offers a rich variety of sophisticated amenities including a vibrant arts community and a wealth of fine restaurants.

The Augusta's Southern hospitality is evident from the temperate climate to the year-round greenery that reminds residents and visitors alike of Augusta's designation as the Garden City.

The MSA has a strong, stable economy, composed of (1) an extensive base of manufacturers; (2) a core of technology-based employers; and (3) an expanding service sector.

The diverse industrial base includes production of medical products, pharmaceuticals, golf carts, chemicals, industrial tools, textiles among others.

Health care, a technology-based employer in the region, employs more than 25,000 medical professionals. The Medical College of Georgia (MCG) is ranked as one of the top 20 medical schools in the nation and is Georgia's Health Sciences University. MCG has schools of Dentistry, Allied Health Sciences, Nursing and Graduate studies, as well as Medicine. A pioneer in telemedicine, MCG has received national recognition for its efforts in this field. MCG serves patients from all over the southeast, with over 80 clinics centrally located within one building. More than a dozen other major medical facilities are located in the region.

The U.S. Army Signal Center and Fort Gordon, the largest communications electronics training center in the world, rounds out Augusta's technology-based economy. The center has advanced communications technology, adapting the telephone to military usage by incorporating satellite communications and computer technology.

In addition, Fort Gordon is home to the Army's Computer Science School and home to a joint services intelligence organization that supports the Department of Defense. The teaching facilities at Eisenhower Army Medical Center (EAMC) serve as a regional tri-service medical center serving 5 southeastern states and Puerto Rico.

At the center of the technology-based employers is the Savannah River Site (SRS), a U.S. Department of Energy (DOE) facility, which comprises a majority of the MSA's economy with over 13,000 employees. The Site's mission is to reduce nuclear danger by transferring applied environmental technology to government and non-government entities cleaning up the site, managing the waste and forming economic and industrial alliances.

SRS has a significant economic impact across the two states, affecting more than a dozen counties. The current annual budget of SRS is \$1.6 billion, including a payroll of approximately \$900 million.

Westinghouse Savannah River Company (WSRC) is responsible for the day-to-day operations of the nuclear facility. Other major contractors on the site include Bechtel Savannah River Inc., Babcock & Wilcox Group (B & W Savannah River Company) and British Nuclear Fuels Limited (BNFL Savannah River Company).

The economic outlook is sound, with moderate employment gains expected over the short term. The Augusta economy is expected to continue to benefit from a diverse economic base and strategic location in the southeast region.

Long-term financial planning. The governing commission approved the fiscal year 2004 budget totaling \$582 million with emphasis on controlling the cost of government services. The budget will provide the level of services in fiscal year 2004 consistent with fiscal year 2003. More emphasis will be placed on managing for results by utilizing a program performance basis of budgeting in fiscal year 2004. This is a departure from the previous years line-item budgeting approach. The concept of program-performance budgeting will provide department managers with an opportunity to establish program goals and objectives and develop relative performance measures to measure program performance and results.

During fiscal year 2003 the Finance Department revised the comprehensive five year 2004-2008 capital improvements program budget totaling over \$300 million. This long-term fiscal plan is a strategic planning document consisting of an evaluation of all the capital and infrastructure needs and capital improvements necessary to allow the government to plan for capital assets acquisition and replacement for the next five years.

The Special Purpose Local Option Sales Tax (SPLOST) for the current period 2001-2005 will generate an estimated \$160 million for capital projects. This dedicated one cent sales tax provides the government with a method of funding essential on-going capital projects and provide funds for major capital needs. Discussions are in place to extend the SPLOST over the next ten years period 2006-2015 for \$320 million.

The government is planning a \$160 million issuance of water and sewerage revenue bonds in the summer of 2004. The proceeds of the bonds will be used to fund the costs of making additions, extensions and improvements to the consolidated government's water and sewer system.

The Augusta Utilities Department owns and operates the water treatment distribution facilities as well as the waste water conveyance and treatment facilities. The current water system serves over 59,210 residential customers and 6653 commercial and industrial customers. The service area encompasses approximately 210 square miles serving an estimated population in excess of 180,000. Water is supplied by the Savannah River and supplemented by ground water wells through out the county.

The current waste water system serves approximately 44,801 residential and 5074 commercial and industrial customers. The service area encompasses 106 square miles with an estimated population of 150,683.

Cash management policies and practices. Cash temporarily idle during the year was invested in certificates of deposit and the State Treasurer's investment pool. The maturities of the investments range from 30 days to 2 years, with an average maturity of 12 months. The average yield on investments was 1.12 percent for the government and an average yield of 12.9 percent for the pension trust fund defined benefit plans. The rate of return for the pension trust fund is attributable to the long-term character of most of its investment holdings and the dismal year for the U.S. equity investors. Investment

income includes appreciation in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the government intends to hold to maturity.

Risk management. In 2003, the Risk Management program was transferred from the Human Resources Department to the Finance Department.

During 2003, Risk Management continued to provide annual training to the employees of Augusta Government in the areas of safety, substance abuse awareness, substance abuse policy changes, emergency evacuation procedures and new hire orientation. In addition to these established training areas, driver training education was introduced in 2003.

In addition, various control techniques, including employee accident prevention training have been implemented during the year to minimize accident-related losses.

Other areas where Risk Management has implemented successful training proposals during 2003 are monthly safety training, 12 sessions was held by Risk Management for department safety officers on policies, procedures and general safety. Substance abuse training was provided for an estimated 2600 employees. Inspections by risk Management included 201 vehicle inspections, 98 playground inspections, 52 worksite inspections, 2 ergonomic assessments and 162 safety interviews with injured employees.

In the claims administration area, Risk Management handled 40 general liability claims, 275 auto accidents (142 liability claims), 460 workers compensation claims (295 medical only and 37 lost time), 138 complaints (42 from Augusta Cares).

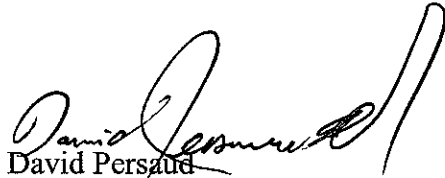
In addition to the training programs, other loss control initiatives included the continuation of the purchase and installation of video cameras in the Sheriff's Office patrol vehicle which is going since 1995.

Fleet Management: The Fleet maintenance services are accounted for in an Internal Service Fund with monthly allocations to all user departments. Contract maintenance represented 56% of all costs, non-contract maintenance represented 11%, fuel represented 27% and fleet operating costs represented 6% of the total expenses. Maintenance service was provided by First Vehicle Services. In 2003, 12,105 work orders were completed at a cost of each work order at \$313. In 2002 the average cost per work order was \$300. This is an increase per work order of \$13. The lease payments to the Georgia Municipal Association for vehicles and equipment of all funds remain relatively constant from year to year. Fleet Management's goals for 2004 are to continue to provide quality repairs at the lowest cost. Specific Goals include: (1) Improve maintenance facilities, (2) Implement audit and inspection processes to ensure accountability of parts and parts costs, proper invoicing for all non-contract cost repairs and (3) provide more accurate budget data to user departments for budget preparation.

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. I would like to express my appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the governing commission for their unfailing support for maintaining the highest standards of professionalism in the management of Augusta's finances.

Respectfully submitted,



David Persaud
Finance Director



Elected Officials – December 31st, 2003

Mayor Bob Young

One Seventh St., Suite 1801
Augusta, Georgia 30909
738-5575 (Home)
821-1831 (Office)

Lee Beard – District One

One-Seventh St., Ste.1703
River Place Condos
Augusta, Georgia 30901
(706) 724-0916 (Home)
(706) 832-8331 (Message Ctr)

Marion Williams – District Two

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(706) 733-2128 (Home)
(706) 821-1838 (Fax)

Steve Shepard – District Three

701 Greene Street
Augusta, Georgia 30901
(706) 736-8884 (Home)
(706) 722-4817 (Fax)

Richard Colclough – District Four

Mayor Pro-Tempore
3508 Monte Carlo Dr.
Augusta, Georgia 30906
(706) 821-1823 (Bus)
(706) 821-1838 (Fax)

Bobby Hankerson – District Five

3312 Balkcom Drive
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(706) 790-9199 (Home/Bus)
(706) 821-1838 (Fax)

Andy Cheek – District Six

2129 Howard Road
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(706) 796-0078 (Home)
(706) 796-8970 (Fax)

Tommy Boyles – District Seven

2711 Boar's Head Drive
Augusta, Georgia 30907
(706) 863-5249 (Home)
(706) 821-1838 (Fax)

Ulmer Bridges – District Eight

P.O. Box 684
Hephzibah, Georgia 30815
(706) 592-5535 (Home)
(706) 821-1838 (Fax)

William Mays, III – District Nine

1221 James Brown Blvd.
Augusta, Georgia 30903
(706) 722-6401 (Bus)
(706) 722-7018 (Fax)

Bill Kuhlke – District Ten

10 Indian Creek Road
Augusta, Georgia 30909
(706) 733-8863 (Home)
(706) 228-5526 (Fax)



Appointed Officials – December 31st, 2003

George R. Kolb
Administrator
530 Greene Street – Rm 801
Augusta, Georgia 30911
(706) 821-2400
(706) 821-2819 (Fax)

Frederick L. Russell
Deputy Administrator
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Walter S. Hornsby, III
Deputy Administrator
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Lena Bonner
Clerk of Commission
530 Greene Street – Rm 806
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(706) 821-1820
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David Persaud
Finance Director
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(706) 821-2429
(706) 821-2502 (Fax)

Jim Wall
County Attorney
454 Greene Street
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(706) 722-2488
(706) 722-5984 (Fax)

FINANCIAL SECTION



AUGUSTA, GEORGIA
ANNUAL FINANCIAL REPORT
For the Fiscal Year ended
December 31, 2003



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Augusta-Richmond County Commissioners
Augusta, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Augusta, Georgia as of December 31, 2003 and for the year then ended, which collectively comprise Augusta's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Augusta, Georgia management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of the Augusta-Richmond County Department of Health. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Department of Health, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based upon our audit and the report of other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Augusta, Georgia, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the general fund and fire protection fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the schedules of funding progress and employer contributions are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2004 on our consideration of Augusta-Richmond County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming opinions on the basic financial statements of Augusta, Georgia, taken as a whole. The combining and individual fund statements and the accompanying schedule of expenditures of Federal awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations for the year ended December 31, 2003, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Cherry, Behant & Holland, LLP

Augusta, Georgia
May 21, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion & Analysis

The Management's Discussion and Analysis of the Comprehensive Annual Financial Report (CAFR) of Augusta-Richmond County, Georgia (the "Government") provides an overall narrative and analysis of the Government's financial statements for the fiscal year ended December 31, 2003. This discussion and analysis is designed to look at the Government's financial performance as a whole. Readers should also review the additional information provided in the transmittal letter, which can be found preceding this narrative, and the complete financial statements, with notes, which follow this narrative, to enhance their understanding of the Government's financial performance.

Financial Highlights

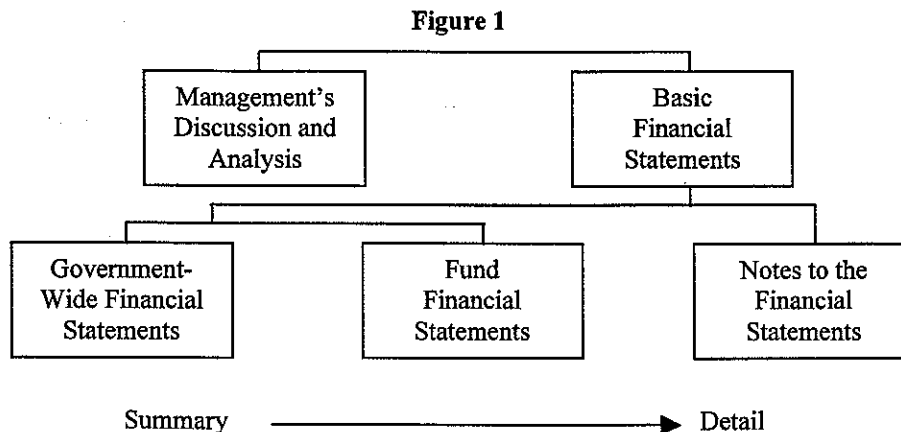
Key financial highlights for the year ended December 31, 2003 are as follows:

- The Government's combined net assets totaled \$358 million.
- The Government's total net assets increased by \$25 million, primarily due to capital spending funded by the Special Purpose Local Option Sales Tax revenues and other tax revenues.
- As of the close of the current fiscal year, the Government's governmental funds reported combined ending fund balances of \$176 million, an increase of \$11 million from the prior year. Approximately 60% of this total amount, or \$106 million, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$31 million, or 32% of total General Fund expenditures for the fiscal year. Of this amount, \$5 million has been designated for other purposes, leaving \$27 million, or 28% of total General Fund expenditures, as undesignated.
- Combined Revenue totaled \$255 million, of which governmental activities totaled \$175 million and business-type activities totaled \$80 million. Current year revenues increased less than 2% from those of the prior year.
- Overall expenses totaled \$230 million of which governmental activities totaled \$147 million and business-type activities totaled \$83 million. Current year expenses increased approximately 7% over those of the prior year.
- Expenses of governmental activities exceeded program revenue, resulting in the use of \$132 million in general revenues (mostly taxes).
- Total Outstanding Long-Term Debt, excluding compensated absences, decreased approximately \$2 million due to the continuing reduction in outstanding principal on existing debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Government's basic financial statements. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the Government through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Government.

Required Components of Annual Financial Report



Basic Financial Statements

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Government's financial status.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of Augusta-Richmond County, Georgia's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Government's non-major governmental funds and internal service funds, all of which are added together in one column on the appropriate basic financial statements.

Government-wide Financial Statements

The Government-wide financial statements provide a broad view of the Government's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the Government's financial position, which assists in assessing the economic condition at the end of the fiscal year. These statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This means the statements take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid. The government-wide financial statements include the following two statements:

The **Statement of Net Assets** presents information on all of the Government's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Government is improving or deteriorating.

The **Statement of Activities** presents information showing how the Government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expense and program revenues for each function of the Government.

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities and 3) component units. The governmental activities include most of the Government's basic services such as general administration, judicial services, public safety, public works, health and welfare, culture and recreation, and housing and development. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those services that the Government charges a fee to customers in order to provide. These include Water and Sewer, Augusta Regional Airport, Waste Management, Municipal Golf Course, Transit, Daniel Field Airport, Newman Tennis Center, Garbage Collection, and the Riverwalk. The final category is component units. The Augusta-Richmond County Board of Health is a public health department. Although legally separate from the Government, the Government appoints a voting majority of the board.

Fund Financial Statements

A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Government, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the Government, reporting the Government's operations in more detail than the government-wide statements. All of the funds of the Government can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. These fund categories use different accounting approaches and should be interpreted differently.

Governmental Funds

Most of the basic services provided by the Government are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as government activities in the government-wide financial statements. However, unlike the government-wide statements, these funds focus on how assets can readily be converted into cash and the amount of funds left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which focuses on current financial resources. Such information may be useful in evaluating the government's short-term financing requirements. These statements provide a detailed short-term view of the Government's finances that assists in determining whether there will be adequate financial resources available to meet the Government's current needs. The relationship between government activities in the government-wide financial statements and the governmental funds financial statements is described in a reconciliation that is a part of the fund financial statements.

The Government has five governmental fund types: the General Fund, Special Revenue Funds, Debt Service Funds, the Capital Projects Funds, and the Permanent Fund. Only four individual funds are being considered major funds – the General Fund, Fire Protection, Special Purposes Local Option Sales Tax Fund (SPLOST) Phase III and Special Purposes Local Option Sales Tax Fund (SPLOST) Phase IV.

Proprietary Funds

The Government has two types of proprietary funds used to account for activities that operate similar to commercial enterprises found in the private sector. Funds that charge fees for services provided to outside customers including other local governments are known as Enterprise Funds. These funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Funds that charge fees for services provided to departments within the reporting government are known as Internal Service Funds. Proprietary funds use the accrual basis of accounting, thus there is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

The Government has nine enterprise funds: Water and Sewer, Augusta Regional Airport, Waste Management, Municipal Golf Course, Transit, Daniel Field Airport, Newman Tennis Center, Garbage Collection, and the Riverwalk. The Government has seven internal service funds: Risk Management, Fleet Operations, Workers Compensation, Employee Health Benefits, Unemployment, Long-Term Disability Insurance and GMA Leases. The Water and Sewerage Fund and Augusta Regional Airport are the only funds being considered major funds for presentation purposes.

Fiduciary Funds

The Fiduciary Funds are used to account for assets held by the Government as an agent for individuals, private organizations, other governments and other Augusta-Richmond County departments. The Government is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and only by those to whom the assets belong. These funds are not reflected in the government-wide financial statements because the resources are not available to support the Government's operations or programs.

Government-wide Financial Analysis

Comparative data for the entity-wide governmental activities and the business-type activities is provided below.

The Government's Net Assets December 31, 2003 and 2002

Figure 2

	Governmental Activities 2003	Business-type Activities 2003	Total 2003	Governmental Activities 2002	Business-type Activities 2002	Total 2002
Current and other assets	\$ 221,272,018	\$ 217,765,947	\$ 439,037,965	\$ 211,223,500	\$ 267,410,293	\$ 478,633,793
Capital assets	218,091,918	305,509,501	523,601,419	205,796,966	252,479,150	458,276,116
Total assets	<u>439,363,936</u>	<u>523,275,448</u>	<u>962,639,384</u>	<u>417,020,466</u>	<u>519,889,443</u>	<u>936,909,909</u>
Long-term liabilities	21,876,904	321,369,475	343,246,379	30,054,792	326,938,096	356,992,888
Other liabilities	27,226,754	16,552,039	43,778,793	20,559,536	11,256,800	31,816,336
Total liabilities	<u>49,103,658</u>	<u>337,921,514</u>	<u>387,025,172</u>	<u>50,614,328</u>	<u>338,194,896</u>	<u>388,809,224</u>
Net assets:						
Invested in capital assets, net of related debt	280,177,183	147,635,885	357,813,068	195,964,885	133,280,493	329,245,378
Restricted	67,963,626	7,755,294	75,718,920	122,169,587	12,967,555	135,137,142
Unrestricted	<u>112,119,469</u>	<u>29,962,755</u>	<u>142,082,224</u>	<u>48,271,666</u>	<u>35,446,499</u>	<u>83,718,165</u>
Total net	<u><u>390,260,278</u></u>	<u><u>185,353,934</u></u>	<u><u>575,614,212</u></u>	<u><u>366,406,138</u></u>	<u><u>181,694,547</u></u>	<u><u>548,100,685</u></u>

Net Assets

Net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Government exceeded liabilities by \$575.6 million as of December 31, 2003.

The largest portion of the Government's net assets, \$357.8 million or 62%, reflects its investment in capital assets such as land, buildings, equipment and infrastructure (road, bridges, sidewalks, water lines and sewer lines) less any related debt used to acquire those assets that is still outstanding. The Government uses these capital assets to provide services to its citizens; therefore, these assets are not available for future spending. Although the Government's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Government's net assets, \$76 million or 13%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$142 million or 25%, may be used to meet the Government's ongoing obligations to citizens and creditors.

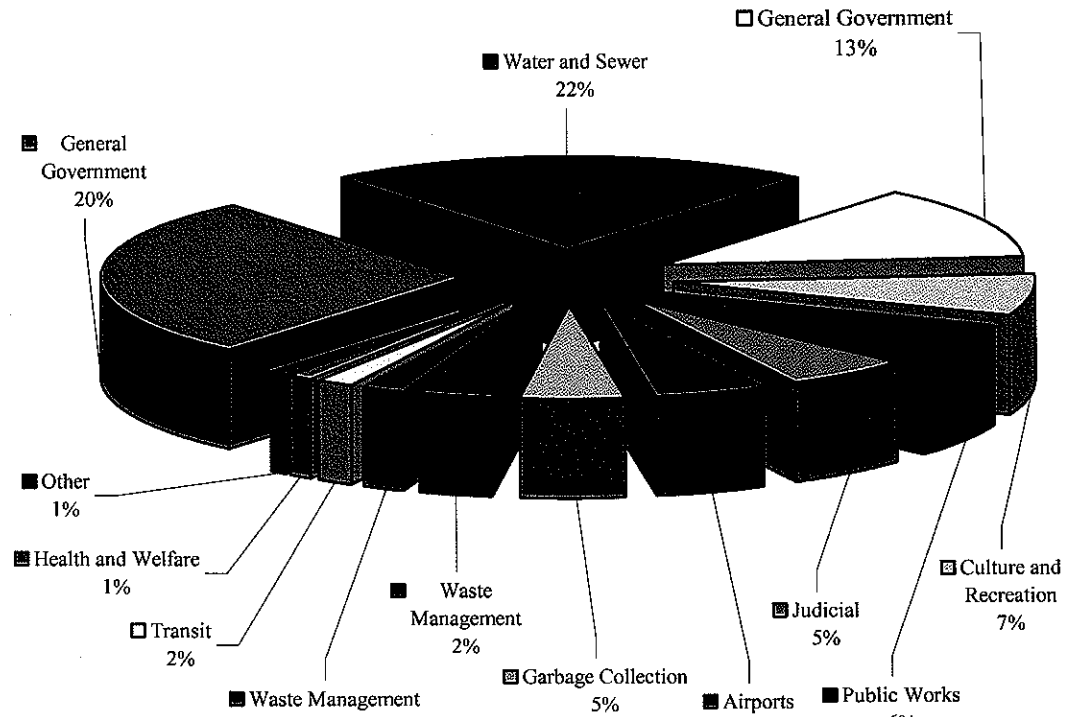
Several particular aspects of the Government's financial operations positively influenced the total *unrestricted governmental net assets*:

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 99% for real and personal property.
- Continued low cost of debt due to the County's high bond rating.
- Continued diligence in the maintenance of a 75 – 90 day unreserved fund balance designated for operations in the General Fund.

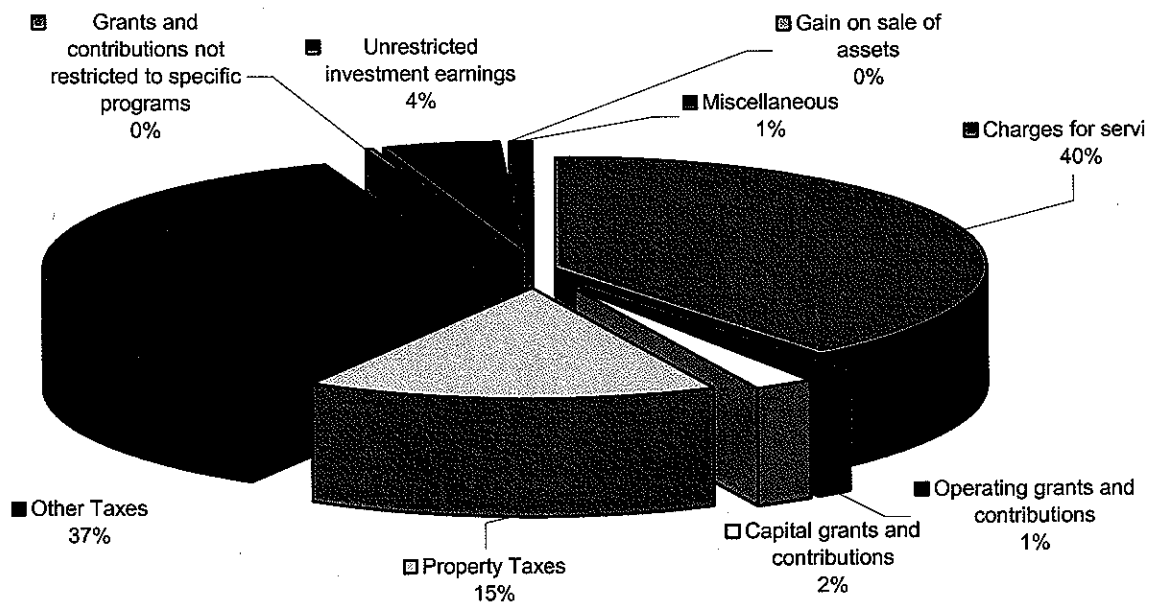
**The Government's Changes in Net Assets
For the Years Ended December 31, 2003 and 2002
Figure 3**

	Governmental Activities 2003	Business-type Activities 2003	Total 2003	Governmental Activities 2002	Business-type Activities 2002	Total 2002
Revenues:						
Program revenues:						
Charges for services	\$ 31,602,875	\$ 68,890,739	\$ 100,493,614	\$ 29,663,562	\$ 65,481,527	\$ 95,145,089
Operating grants and contributions	2,614,565	1,073,267	3,687,832	1,575,442	947,443	2,522,885
Capital grants and contributions	4,039,755	1,750,073	5,789,828	5,234,369	2,144,008	7,378,377
General revenues:						
Property taxes	39,368,805	-	39,368,805	39,479,186	-	39,479,186
Other taxes	91,795,110	-	91,795,110	91,124,868	-	91,124,868
Grants and contributions not restricted to specific programs	981,463	-	981,463	984,944	-	984,944
Unrestricted investment earnings	3,919,337	7,050,734	10,970,071	3,762,503	8,577,606	12,340,109
Gain on sale of assets	-	94,904	94,904	-	246,644	246,644
Miscellaneous	695,944	1,358,408	2,054,352	433,812	1,080,633	1,514,445
Total revenues	<u>175,017,854</u>	<u>80,218,125</u>	<u>255,235,979</u>	<u>172,258,686</u>	<u>78,477,861</u>	<u>250,736,547</u>
Expenses:						
General government	29,460,733	-	29,460,733	27,584,914	-	27,584,914
Judicial	12,450,759	-	12,450,759	11,327,309	-	11,327,309
Public safety	64,567,666	-	64,567,666	61,423,703	-	61,423,703
Public works	13,249,489	-	13,249,489	13,424,146	-	13,424,146
Health and welfare	2,619,851	-	2,619,851	2,249,014	-	2,249,014
Culture and recreation	16,920,689	-	16,920,689	12,209,832	-	12,209,832
Housing and development	7,182,503	-	7,182,503	10,387,097	-	10,387,097
Interest on long-term debt	433,690	-	433,690	815,079	-	815,079
Waste management	-	4,796,691	4,796,691	-	4,419,230	4,419,230
Water and sewer	-	50,260,882	50,260,882	-	45,747,805	45,747,805
Airports	-	11,745,792	11,745,792	-	10,573,908	10,573,908
Municipal golf course	-	649,170	649,170	-	687,464	687,464
Transit	-	4,020,263	4,020,263	-	3,800,766	3,800,766
Newman Tennis Center	-	304,677	304,677	-	284,900	284,900
Garbage Collection	-	11,030,722	11,030,722	-	9,337,793	9,337,793
Riverwalk	-	250,849	250,849	-	229,674	229,674
Total expenses	<u>146,885,380</u>	<u>83,059,046</u>	<u>229,944,426</u>	<u>139,421,094</u>	<u>75,081,540</u>	<u>214,502,634</u>
Increase in assets before transfers	28,132,474	(2,840,921)	25,291,553	32,837,592	3,396,321	36,233,913
Transfers	<u>(4,878,890)</u>	<u>4,878,890</u>	<u>-</u>	<u>(5,642,170)</u>	<u>5,642,170</u>	<u>-</u>
Increase in net assets	23,253,584	2,037,969	25,291,553	27,195,422	9,038,491	36,233,913
Net assets, January 1	366,406,138	181,694,547	548,100,685	339,210,716	172,656,056	511,866,772
Prior period adjustments	<u>600,556</u>	<u>1,621,418</u>	<u>2,221,974</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, January 1, as restated	367,006,694	183,315,965	550,322,659	339,210,716	172,656,056	511,866,772
Net assets, December 31	<u>390,260,278</u>	<u>185,353,934</u>	<u>575,614,212</u>	<u>366,406,138</u>	<u>181,694,547</u>	<u>548,100,685</u>

Government-Wide Expenses



Government-Wide Revenues



Changes in Net Assets

Governmental activities. Governmental activities increased the Government's net assets by \$23 million, and thereby accounting for 92% of the total growth in the net assets of the Government. Key elements of this increase are as follows:

Governmental Revenues. Property and tax other taxes continue as the main source of a revenue of the Government amounting to 88% in 2003, compared to 76% in 2002. Sales tax revenues contributed approximately \$30 million to the increase in net assets.

Governmental Functional Expenses: As reflected in the summary of changes in Net Assets, the Government expended 53% of the appropriations for judicial and public safety expenditures. The Government continues to commit substantial financial resources for the safety of its citizens. Other expenditures accounted for the remaining 47%.

Business-type activities: Business-type activities increased the Government's net assets by approximately \$2 million accounting for 8% of the total growth in the government's net assets. Key elements of this increase are as follows:

- The Waste Management Fund reported an increase in net assets of \$353,000. This increase was due to increase in user fees for services.
- The Water and Sewer Fund reported an increase in net assets of \$1.8 million. This increase was largely due to an increase in user charges due to the rate increase for new debts in 2002.
- The Augusta Regional Airport Fund reported an increase in net assets \$1.7 million. This increase was largely due to intergovernmental revenue received.
- Transit Authority net assets decrease of \$783,000, primarily due to operating costs exceeding user charges and grants.

Financial Analysis of the Government's Individual Funds

Augusta-Richmond County uses fund accounting to demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Government's governmental funds is to provide information on near-term inflows, outflows and balances of usable resources. Such information is useful in assessing the Government's financial requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The combined fund balance of all the governmental funds is \$176.2 million, of which \$101.3 million, or 57.4%, is unreserved and undesignated.

General Fund

The General Fund is the primary operating fund of the Government. At the end of the current fiscal year, total fund balance of the General Fund was \$32.2 million, of which \$31.2 million, or 97%, was unreserved. A portion of the unreserved fund balance in the General Fund is designated for risk benefit, in the amount of \$4.7 million. As a measure of the General Fund's liquidity, it may be useful to compare both undesignated and designated fund balance to total fund expenditures. As of December 31, 2003, total unreserved fund balance, both undesignated and designated, represents 32% of total general fund expenditures.

The fund balance of the General Fund increased \$929,000 (3%) as the Board of Commissioners makes a collaborative effort to improve the reserve of the Government. A key factor to this increase was that actual expenditures were under budget for 2003 in several areas.

General Fund Budgetary Highlights

During the year, the Government revised the budget on several occasions. Generally, budget amendments fall into one of five categories: 1) amendments to appropriate fund balance for encumbrances from the prior year; 2) amendments made to adjust the estimates that are used to prepare the original budget resolution once exact information is available; 3) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; 4) increases in appropriations that become necessary to maintain services; and 5) amendments to transfer appropriations between departments. The fifth category has no effect on the final budget and, therefore, is not addressed in this narrative. For example, included in the original budget for the general government function was a contingency in the amount of approximately \$1 million. During the year, the Government transferred these funds to other functions as needed. Total amendments to the General Fund increased expenditures and revenues/other financing sources by only \$155,000 or <0.5%, an immaterial amount.

The actual operating revenues for the General Fund were more than the budgeted amount by \$318,482, or less than 1%. The individual sources within the revenues fluctuated both positively and negatively. No individual source materially varied from the final budget, except for *other revenues*. In order to balance revenues with expenditures, the Government budgeted as a revenue \$1.25 million of fund balance to be used for capital expenditures.

As a result of superior budget management by all departments of the Government, actual operating expenditures were less than the budgeted amount by \$1.7 million. For the year, actual revenue and other financing sources exceeded actual expenditures and other financing uses by \$1.9 million.

Capital Projects Funds

The Government uses Capital Projects Funds to account for the acquisition and construction of major capital facilities that are not financed by Proprietary Funds. A major fund included in the fund financial statements is the 2001-2005 SPLOST Fund. The proceeds of the special purpose 1% sales tax are accounted for in this Capital Projects Fund until improvement projects are completed. The SPLOST Fund's fund balance is \$15.5 million, all of which is held for specific construction and improvement projects and capital acquisitions. The increase in fund balance is due to the timing of the collection of revenues as compared to project expenditures.

Proprietary Funds

The activities of the Government that render services to the general public on a user charge basis, or that require periodic determination of revenues for public policy are accounted for as Enterprise Funds. The Government's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets at the end of the year were as follows: Water and Sewer System Fund, \$21.5 million; Augusta Regional Airport, \$11.7 million; Nonmajor Enterprise funds, (\$3.1) million. The total growth (reduction) in net assets for previously mentioned funds were \$1.8 million, \$248,000 and (\$500,000), respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the Government's business-type activities.

Capital Assets and Debt Administration

Capital Assets

The Government's investment in capital assets for its governmental and business-type activities as of December 31, 2003 amounts to \$521.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the Government, such as roads, bridges, streets and sidewalks, drainage systems and other similar items.

Major capital asset transactions during the year include:

- Site improvements at Hyde Park for \$1.1 million
- Construction of multi-use hanger for \$1.5 million
- Construction of Eisenhower Park Gym for \$1.5 million
- Acquisition of land for water and sewer of \$4.1 million

Additional information on the Government's capital assets can be found in Note 3 of the notes to the financial statements of this report.

The Government's Capital Assets (net of depreciation) December 31, 2003

Figure 4

	Governmental Activities	Business-type Activities	Total
Land	\$ 16,651,955	\$ 14,327,576	\$ 30,979,531
Buildings	53,453,727	24,904,721	78,358,448
Improvements other than buildings	6,215,655	2,340,643	8,556,298
Water and sewerage systems	-	160,406,857	160,406,857
Infrastructure	36,004,586	11,217,249	47,221,835
Vehicles, machinery and equipment	14,112,064	9,036,127	23,148,191
Richmond County Public Facilities	2,109,247	-	-
Construction in progress	89,544,684	83,276,326	172,821,010
Total	<u>\$ 218,091,918</u>	<u>\$ 305,509,499</u>	<u>\$ 521,492,170</u>

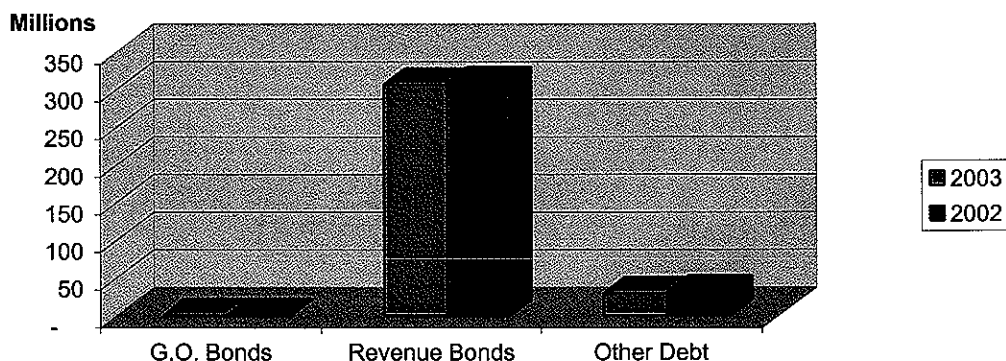
Long-Term Debt

As of December 31, 2003, the Government had a total of \$336.7 million in outstanding long-term debt. Of this amount, \$307.3 million consists of revenue bonds backed by the revenues of the water and sewer system.

**The Government's Outstanding Debt
General Obligation and Revenue Bonds
December 31, 2003 and 2002**

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
General obligation bonds	\$ -	\$ 350,000	\$ -	\$ -	\$ -	\$ 350,000
Revenue bonds	4,492,440	4,597,058	302,759,183	304,654,619	307,251,623	309,251,677
Other debt	19,411,988	20,829,801	10,040,712	10,694,249	29,452,700	31,524,050
Total debt	<u>\$ 23,904,428</u>	<u>\$ 25,776,859</u>	<u>\$ 312,799,895</u>	<u>\$ 315,348,868</u>	<u>\$ 336,704,323</u>	<u>\$ 341,125,727</u>



The Government has maintained a bond rating of A+ from Standard & Poor's Rating Group and an A2 rating from Moody's Investor Service. These bond ratings are clear indications of the sound financial condition of the Government. These high ratings are a primary factor in keeping interest costs low on the Government's outstanding debt.

The State of Georgia limits the amount of general obligation debt that a unit of government can issue to 10 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Government is \$355 million.

Additional information regarding the Government's long-term debt can be found in Note 3 of the notes to the financial statements of this report.

Economic Factors and Next Year's Budget and Rates

The following key economic indicators reflect the growth and prosperity of the Government.

- The Government has an unemployment rate of 5.5%, slightly higher than the state average of 4.6%.
- The ad valorem tax rate increased from \$6.859 per \$1000 to \$7.4892 per \$1000 of valuation.

Budget Highlights for the Fiscal Year Ending December 31, 2004

Governmental Activities: The Ad Valorem Taxes are projected to remain at the 2003 level. The 2004 tax digest has shown a slight increase of less than 1% primarily due to account corrections. Other taxes are expected to increase between 1% to 3% with no significant increase in sales tax revenues. The FY 2004 budget for the general fund is expected to be slightly above the 2003 level due to increase in the property tax revenues and some modest reductions in expenditures. The general economic climate for the city government of 2004 is expected to be stable with an estimated 5% of fund balance appropriated for budgeted expenditures. The undesignated fund balance should remain at 25% in reserves.

Business – type Activities: Overall Water and Sewer revenue is projected to increase 11% due to the \$149 million new debt issued in 2002 and the required rate increase to retire this debt. Airport revenue is projected to increase based on the 2004 landing fees increase.

Requests for Information

This report is designed to provide an overview of the Government's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, Augusta-Richmond County, Georgia, 501 Greene Street, Augusta, Georgia 30901. Questions concerning any of the information found in this report relating to the Richmond County Board of Health should be directed to the Department of Health at 950 Laney Walker Blvd., Augusta, Georgia 30901.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Augusta, Georgia
Statement of Net Assets
December 31, 2003

	Governmental Activities	Business Type Activities	Primary Government Total	Department of Health
Assets				
Cash and temporary investments	\$ 170,654,183	\$ 50,238,319	\$ 220,892,502	\$ 1,200,480
Receivables (net of allowance for doubtful accounts)				
Taxes	7,188,458	632,531	7,820,989	-
Accounts	11,335,033	7,063,009	18,398,042	140,236
Interest	113,386	914,547	1,027,933	-
Notes	3,231,004	-	3,231,004	-
Intergovernmental	274,533	1,234,566	1,509,099	987,734
Prepaid expenses	132,997	-	132,997	-
Inventory	130,925	1,854,849	1,985,774	-
Restricted cash and investments	15,213,317	162,681,573	177,894,890	-
Due from fiduciary funds	1,564,451	72,710	1,637,161	-
Internal balances	11,080,746	(11,080,746)	-	-
Land and construction in progress	106,196,639	97,592,643	203,789,282	-
Other capital assets, net of accumulated depreciation	111,895,279	207,916,858	319,812,137	7,436,328
Other assets	352,985	4,154,589	4,507,574	-
Total assets	439,363,936	523,275,448	962,639,384	9,764,778
Liabilities				
Accounts payable	5,083,932	8,044,058	13,127,990	1,114,549
Accrued interest	95,100	3,948,582	4,043,682	-
Due to others	-	39,000	39,000	46,658
Accrued salaries and vacation	3,343,141	532,489	3,875,630	563,942
Other accrued liabilities	1,490,694	162,907	1,653,601	-
Unearned revenue	10,100,757	650	10,101,407	-
Liabilities due in less than one year	7,113,130	3,824,353	10,937,483	-
Liabilities due in greater than one year	21,876,904	321,369,475	343,246,379	578,843
Total liabilities	49,103,658	337,921,514	387,025,172	2,303,992
Net assets				
Invested in capital assets net of related debt	210,177,183	147,635,885	357,813,068	6,857,485
Restricted	67,963,626	7,755,294	75,718,920	904,989
Unrestricted	112,119,469	29,962,755	142,082,224	(301,688)
Total net assets	\$ 390,260,278	\$ 185,353,934	\$ 575,614,212	\$ 7,460,786

The notes to the financial statements are an integral part of this statement.

Augusta, Georgia
Statement of Activities
Year Ended December 31, 2003

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 29,460,733	\$ 13,951,515	\$ 955,771	\$ -
Judicial	12,450,759	8,776,700	389,900	-
Public safety	64,567,666	7,420,636	218,556	25,955
Public works	13,249,489	515,602	111,078	220,858
Health and welfare	2,619,851	137,877	13,052	-
Culture and recreation	16,920,689	800,545	926,208	-
Housing and development	7,182,503	-	-	3,792,942
Interest on long-term debt	433,690	-	-	-
Total governmental activities	<u>146,885,380</u>	<u>31,602,875</u>	<u>2,614,565</u>	<u>4,039,755</u>
Business-type activities:				
Waste management	4,796,691	4,943,777	35,256	-
Water and sewer	50,260,882	44,799,544	-	-
Airports	11,745,792	10,857,560	131,903	1,489,857
Municipal golf course	649,170	645,525	-	-
Transit	4,020,263	722,803	898,972	260,216
Newman Tennis Center	304,677	218,386	7,136	-
Garbage Collection	11,030,722	6,644,314	-	-
Riverwalk	250,849	58,830	-	-
Total business-type activities	<u>83,059,046</u>	<u>68,890,739</u>	<u>1,073,267</u>	<u>1,750,073</u>
Total primary government	<u>\$ 229,944,426</u>	<u>\$ 100,493,614</u>	<u>\$ 3,687,832</u>	<u>\$ 5,789,828</u>
Component unit:				
Richmond County Department of Health	<u>\$ 14,205,297</u>	<u>\$ 2,620,122</u>	<u>\$ 10,084,022</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Sales taxes				
Franchise taxes				
Other taxes				
Unrestricted governmental revenues				
Revenues from use of money and property				
Gain on sale of assets				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Prior period adjustments				
Net assets - beginning, as restated				
Net assets - ending				

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Department of Health
Governmental Activities	Business-type Activities	Total	
\$ (14,553,447)	\$ -	\$ (14,553,447)	\$ -
(3,284,159)	-	(3,284,159)	-
(56,902,519)	-	(56,902,519)	-
(12,401,951)	-	(12,401,951)	-
(2,468,922)	-	(2,468,922)	-
(15,193,936)	-	(15,193,936)	-
(3,389,561)	-	(3,389,561)	-
(433,690)	-	(433,690)	-
(108,628,185)	-	(108,628,185)	-
-	182,342	182,342	-
-	(5,461,338)	(5,461,338)	-
-	733,528	733,528	-
-	(3,645)	(3,645)	-
-	(2,138,272)	(2,138,272)	-
-	(79,155)	(79,155)	-
-	(4,386,408)	(4,386,408)	-
-	(192,019)	(192,019)	-
-	(11,344,967)	(11,344,967)	-
(108,628,185)	(11,344,967)	(119,973,152)	-
-	-	-	(1,501,153)
39,368,805	-	39,368,805	-
62,439,388	-	62,439,388	-
14,299,247	-	14,299,247	-
15,056,475	-	15,056,475	-
981,463	-	981,463	1,337,514
3,919,337	7,050,734	10,970,071	8,794
-	94,904	94,904	-
695,944	1,358,408	2,054,352	-
(4,878,890)	4,878,890	-	-
131,881,769	13,382,936	145,264,705	1,346,308
23,253,584	2,037,969	25,291,553	(154,845)
366,406,138	181,694,547	548,100,685	7,611,878
600,556	1,621,418	2,221,974	3,753
367,006,694	183,315,965	550,322,659	7,615,631
\$ 390,260,278	\$ 185,353,934	\$ 575,614,212	\$ 7,460,786

FUND FINANCIAL STATEMENTS

Augusta, Georgia
Balance Sheet
Governmental Funds
December 31, 2003

	<u>General</u>	<u>Fire Protection</u>	<u>Special Sales Tax Phase III</u>
Assets			
Cash and temporary investments	\$ 19,436,883	\$ 10,663,351	\$ 49,475,918
Receivables (net of allowance for doubtful accounts)			
Taxes	3,801,985	522,859	-
Accounts	4,852,681	-	133,298
Interest	-	-	26,719
Note	100,000	-	-
Intergovernmental	57,227	-	-
Prepaid items	57,997	-	75,000
Inventory	130,925	-	-
Restricted assets			
Reserve account	-	-	-
Sinking fund account	-	-	-
Perpetual care	-	-	-
Due from other funds	13,928,207	53,531	-
Total assets	<u>\$ 42,365,905</u>	<u>\$ 11,239,741</u>	<u>\$ 49,710,935</u>
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 1,728,499	\$ 78,613	\$ 474,258
Due to other funds	100,000	-	-
Accrued salaries and vacation	2,469,406	620,241	-
Other accrued liabilities	1,412,755	-	-
Deferred revenue	4,494,451	8,810,116	-
Total liabilities	<u>10,205,111</u>	<u>9,508,970</u>	<u>474,258</u>
Fund balances:			
Reserved for:			
Encumbrances	650,679	68,380	7,324,916
Project Maintenance	-	-	-
Debt	-	-	-
Special purposes	106,447	-	32,764,282
Inventory/prepaid items	188,922	-	75,000
Designated for:			
Risk benefit	4,705,061	250,000	-
Unreserved - undesignated	26,509,685	1,412,391	9,072,479
Unreserved, reported in nonmajor:			
Special revenue	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Permanent	-	-	-
Total fund balances	<u>32,160,794</u>	<u>1,730,771</u>	<u>49,236,677</u>
Total liabilities and fund balances	<u>\$ 42,365,905</u>	<u>\$ 11,239,741</u>	<u>\$ 49,710,935</u>

The notes to the financial statements are an integral part of this statement.

Special Sales Tax Phase IV	Other Governmental Funds	Total Governmental Funds
\$ 58,757,602	\$ 31,359,963	\$ 169,693,717
-	2,863,614	7,188,458
2,397,570	882,832	8,266,381
-	86,667	113,386
-	336,835	436,835
-	217,306	274,533
-	-	132,997
-	-	130,925
-	1,571,208	1,571,208
-	204,539	204,539
-	338,625	338,625
-	162,357	14,144,095
<u>\$ 61,155,172</u>	<u>\$ 38,023,946</u>	<u>\$ 202,495,699</u>

\$ 907,402	\$ 1,066,686	\$ 4,255,458
-	1,141,568	1,241,568
61,242	155,952	3,306,841
-	77,939	1,490,694
-	2,666,984	15,971,551
<u>968,644</u>	<u>5,109,129</u>	<u>26,266,112</u>

5,094,840	3,673,205	16,812,020
-	5,596,460	5,596,460
-	2,986,302	2,986,302
(5,094,840)	16,550,138	44,326,027
-	-	263,922
-	-	4,955,061
60,186,528	-	97,181,083
-	9,690,487	9,690,487
-	(474,252)	(474,252)
-	(5,388,479)	(5,388,479)
-	280,956	280,956
<u>60,186,528</u>	<u>32,914,817</u>	<u>176,229,587</u>
<u>\$ 61,155,172</u>	<u>\$ 38,023,946</u>	<u>\$ 202,495,699</u>

Augusta, Georgia
Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
December 31, 2003

Amounts reported for governmental activities in the statement of net assets are different because:

Ending fund balance - governmental funds	\$ 176,229,587
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	217,851,576
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Adjustment of deferred revenue	5,870,794
Long-term notes receivable	2,794,169
Annual pension asset (liability)	<u>179,218</u>
	8,844,181
Internal service funds are used by management to charge the costs of risk management, fleet operations, employee benefits, and GMA lease activity to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	256,608
Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	
Long-term liabilities	(13,000,341)
Bond issue costs capitalized	173,767
Accrued interest	<u>(95,100)</u>
	(12,921,674)
Net assets of governmental activities	<u><u>\$ 390,260,278</u></u>

The notes to the financial statements are an integral part of this statement.

Augusta, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2003

	General	Fire Protection	Special Sales Tax Phase III
Revenues			
Taxes - property	\$ 25,264,680	\$ 3,383,760	\$ -
Taxes - other than property	41,485,449	7,779,134	-
Licenses and permits	1,344,602	-	-
Use of money and property	1,921,751	85,495	621,513
Charges for current services	16,011,173	15,050	2,737
Fines and forfeitures	6,624,414	-	-
Intergovernmental	2,114,173	-	1,053,221
Contributions and donations	8,487	-	-
Other	78,110	19,615	-
Total revenues	94,852,839	11,283,054	1,677,471
Expenditures			
Current:			
General government	21,701,088	961,131	200,230
Judicial	10,525,575	-	-
Public safety	41,986,133	16,203,602	-
Public works	5,859,635	-	1,520,392
Health and welfare	2,049,197	-	-
Culture and recreation	10,796,229	-	650,444
Housing and development	1,501,551	-	-
Capital outlay	3,103,889	-	4,984,356
Debt service	117,392	-	-
Total expenditures	97,640,689	17,164,733	7,355,422
Excess (deficiency) of revenues over (under) expenditures	(2,787,850)	(5,881,679)	(5,677,951)
Other financing sources (uses)			
Transfers in	1,805,740	6,012,000	-
Transfers (out)	(406,831)	-	-
Capital lease proceeds	2,317,703	-	-
Proceeds of refunding bond	-	-	-
Payment of refunded debt	-	-	-
Total other financing sources (uses)	3,716,612	6,012,000	-
Net change in fund balances	928,762	130,321	(5,677,951)
Fund balance - beginning	31,232,032	1,600,450	54,914,628
Fund balance - ending	\$ 32,160,794	\$ 1,730,771	\$ 49,236,677

The notes to the financial statements are an integral part of this statement.

Special Sales Tax Phase IV	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 11,369,821	\$ 40,018,261
31,115,877	11,451,406	91,831,866
-	2,961,828	4,306,430
620,572	661,477	3,910,808
5,435	3,151,597	19,185,992
-	1,486,039	8,110,453
-	4,190,164	7,357,558
-	269,738	278,225
-	585,686	683,411
<u>31,741,884</u>	<u>36,127,756</u>	<u>175,683,004</u>
593,006	1,256,026	24,711,481
-	467,908	10,993,483
206,880	2,780,402	61,177,017
1,878,579	3,813,432	13,072,038
476,547	-	2,525,744
592,694	3,650,391	15,689,758
-	5,872,764	7,374,315
11,493,226	1,519,013	21,100,484
794,171	3,499,882	4,411,445
<u>16,035,103</u>	<u>22,859,818</u>	<u>161,055,765</u>
<u>15,706,781</u>	<u>13,267,938</u>	<u>14,627,239</u>
-	825,571	8,643,311
(18,370)	(14,402,030)	(14,827,231)
-	-	2,317,703
-	4,035,000	4,035,000
-	(3,863,767)	(3,863,767)
<u>(18,370)</u>	<u>(13,405,226)</u>	<u>(3,694,984)</u>
15,688,411	(137,288)	10,932,255
<u>44,498,117</u>	<u>33,052,105</u>	<u>165,297,332</u>
<u>\$ 60,186,528</u>	<u>\$ 32,914,817</u>	<u>\$ 176,229,587</u>